

Message Text

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ORIGIN SNM-02

INFO OCT-01 EUR-01 ISO-00 /004 R

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DRAFTED BY:S:N:M:DHERNST
APPROVED BY:S:N:M:DHERNST
----- 099899
R 112345Z NOV 75
FM SECSTATE WASHDC
TO AMEMBASSY ANKARA

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FOLLOWING TELEGRAM FROM SECSTATE WASHDC DATED NOVEMBER 10, 1975
SENT GENEVA IS REPEATED TO YOU: QUOTE

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E.O. 11652: N/A

TAGS: SNAR, TU

SUBJECT: TURKISH POPPY STRAW CROP

FROM QUENTIN JONES

1. INDUSTRY CONTACTS SAY TURKISH INVITATION BID ON POPPY CAPSULES CLAIMS 0.58 PERCENT MORPHINE. NO PROVISION FOR PRIOR ASSAY NOR COST ADJUSTMENT IF MORPHINE CONTENT LESS THAN 0.58 PERCENT. PURCHASER'S BID MUST BE ACCOMPANIED BY IRREVOCABLE LETTER OF CREDIT. BIDS MUST BE RECEIVED TMO BY NOVEMBER 27. BID INVITATION LETTER WAS SHOWN TO AGENT OF PROSPECTIVE BUYER IN ANKARA SEVERAL WEEKS AGO BUT HAS NOT YET BEEN RECEIVED BY U.S. FIRMS.

2. CEILING PRICE INDIAN OPIUM IS 490 DOLLARS PER KILOGRAM CONTAINED MORPHINE. INDIAN INCISED CAPSULES AVERAGE ABOUT 250 DOLLARS PER METRIC TON F.O.B. BOMBAY OR ABOUT 450 DOL-
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LARS DELIVERED NETHERLANDS OR NORWAY. THIS INFORMATION

THROUGH U.S. BUYER WITH CONTACTS FOR POPPY STRAW CONCENTRATE IN THOSE COUNTRIES.

3. ONE U.S. BUYER HAS PURCHASED 1,050 KILOGRAMS OF TURKISH CAPSULES AT 2.55 DOLLARS PER KILOGRAM, WHICH IS 2,550 DOLLARS PER METRIC TON. ALTHOUGH CONTRACT FOR THIS PURCHASE

HAS BEEN FINALIZED, DELIVERY WILL NOT BE MADE UNTIL AFTER NOVEMBER 27. ASSUMING MORPHINE CONTENT 0.58 PERCENT, VALUE OF CONTAINED MORPHINE WOULD BE 440 DOLLARS PER KILOGRAM F.O.B. IZMIR. THIS WOULD ALLOW 50 DOLLARS PER KILOGRAM CONTAINED MORPHINE FOR SHIPPING AND FOR PROCESSING COST IN EXCESS OF OPIUM. IF THAT ONE METRIC TON OF CAPSULES CONTAINING 0.58 PERCENT MORPHINE WOULD YIELD 5.8 KILOGRAMS OF MORPHINE, BUYERS WOULD HAVE 190 DOLLARS PER METRIC TON OF CAPSULES TO PAY SHIPPING AND PROCESSING COSTS BEFORE COST OF MORPHINE THIS SOURCE EXCEEDED COST FROM INDIAN OPIUM. TWO THOUSAND FIVE HUNDRED FIFTY DOLLARS PER METRIC TON WOULD BE FAIR PRICE FOR TURKISH CAPSULES IF CAPSULES CONTAIN 0.58 PERCENT MORPHINE.

4. CALCULATING LIABILITY AGAINST STANDBY COMPENSATION FUND, ASSUMING CEILING PRICE OF 2,550 DOLLARS PER METRIC TON AND CROP OF 6,000 METRIC TONS, WE GET CROP INCOME FROM SELLING CROP OF 15,300,000 DOLLARS (TL 229.5 MILLION AT TL 15 PER DOLLAR AS IN AGREEMENT) FROM WHICH TMO OVERHEAD WOULD BE 3,060,000 DOLLARS (TL 45,900,000). AMOUNT PAID TO FARMERS (AVERAGE OF TL 18 PER KILOGRAM TIMES 6 MILLION KILOGRAMS) WOULD BE 7,200,000 DOLLARS (TL 108 MILLION), LEAVING NET PROFIT TO TURKEY OF 5,040,000 DOLLARS. USING AGREED FORMULA FOR CALCULATING LIABILITY, LIABILITY EQUALS 7,200,000 (PAYMENTS TO FARMER) PLUS 3,070,000 (TMO OVERHEAD) MINUS 15,300,000 (GROSS CROP RECEIPTS) OR AN L VALUE OF MINUS 5,040,000. IF THIS PROVES TO BE CASE, THEN NO CLAIMS CAN BE MADE AGAINST STANDBY FUND AND STRAW ROUTE IS PROVED MORE PROFITABLE AS WELL AS MORE SECURE THAN OPIUM ROUTE. KISSINGER UNQUOTE INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DRUG INDUSTRY, AGRICULTURAL PRODUCTION, MORPHINE, INVITATIONS, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 11 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE265879
Document Source: CORE
Document Unique ID: 00
Drafter: S:NM:DHERNST
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750393-0429
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751158/aaaabzxy.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SNM
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2003 by GarlanWA>; APPROVED <03 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TURKISH POPPY STRAW CROP FROM QUENTIN JONES
TAGS: SNAR, TU, US
To: ANKARA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006